GOVERNMENT OF INDIA
LAW , JUSTICE AND COMPANY AFFAIRS
LOK SABHA

UNSTARRED QUESTION NO:4689
ANSWERED ON:24.08.2000
PROTECTION OF SMALL INVESTORS
KINJARAPU YERRANNAIDU

Will the Minister of LAW , JUSTICE AND COMPANY AFFAIRS be pleased to state:

(a) whether the Government have taken steps to protect small depositors against refusal of financial institutions and other bodies to refund the deposit money and interest after the date of maturity and insistence of renewal;

(b) if so, the details thereof;

(c) whether the Government propose to amend the Companies Act accordingly; and

(d) if so, the details thereof ?

Answer

THE MINISTER OF STATE FOR THE MINISTRY OF INFORMATION & BROADCASTING AND MINISTRY OF LAW, JUS COMPANY AFFAIRS (SHRI ARUN JAITLEY)

(a) & (b) : Powers have been given to the Company LawBoard under section 45QA of the Reserve Bank of India Act, 1934 where there is default by the Non-Banking Finance Companies in repayment of deposits and under section 58A of the Companies Act, 1956 in case of default by Non-Banking Non-Finance Companies. The Company Law Board can direct the Company to make repayment of such deposits or part thereof or within such time and subject to such conditions as may be specified in the order. Non-compliance of the Company Law Board`s order entails punishment with imprisonment upto three years and also fine.

(c) : Yes, Sir.

(d) : It is proposed to amend the Indian Companies Act, 1956 by inserting a new section regarding small depositors.This would put onus on the company to intimate the Company Law Board of any default made by it in repayment of deposits or part thereof or any interest thereupon within 60 days from the date of default. The Company Law Board on receipt of intimation is to pass an appropriate order within a period of 30 days from the date of receipt of such intimation. It would also not be necessary for a small depositor to be present at the hearing of the proceedings. It is also proposed to make the offence connected with or arising out of acceptance of deposits under section 58A or section 58AA cognizable offence under the Code of Criminal Procedure, 1973.